

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: W.R. GRACE & CO., <i>et al.</i>, Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING FEE APPLICATION OF
BEVERIDGE & DIAMOND, P.C., FOR THE FORTY-FOURTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Fee Application of Beveridge & Diamond, P.C., for the Forty-Fourth Interim Period (the "Application").

BACKGROUND

1. Beveridge & Diamond, P.C. ("Beveridge & Diamond"), was retained as special counsel to the Debtors. In the Application, Beveridge & Diamond seeks approval of fees totaling \$328,439.24 and expenses totaling \$6,083.67 for its services from January 1, 2012, through March 31, 2012 (the "Application Period").

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2012, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the "U.S. Trustee Guidelines"), as well as for consistency with

precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on Beveridge & Diamond based upon our review, and we received a response from Beveridge & Diamond, portions of which response are quoted herein.

DISCUSSION

3. We noted that multiple Beveridge & Diamond professionals billed a total of 247.10 hours for \$88,910.18 in fees on research and preparation of various memoranda. See Exhibit A. We asked Beveridge & Diamond to explain the subject matter of this research and how the research and memoranda were utilized for the benefit of the debtor's estate. Beveridge & Diamond responded:

...[T]he research pertained to legal issues related to potential environmental remediation claims that could result in significant additional expenses for the Debtor's estate. At the request of Debtor, we performed an evaluation of complex legal issues that included areas of law that have recently evolved. We also conducted factual research, and application of the law to the facts. In addition, this work required an analysis and application of the law in different jurisdictions. We provided work products to Debtor that were both cost effective and useful, and in the long run may help to preserve the Debtor's estate far beyond the cost of the legal work. As a side note, the presence of two associates enabled them to divide the research topics, and for efficiency to the extent feasible each researcher followed-up to address questions regarding their own research.

Because the time entries filed with the bankruptcy court are publicly available and because the request for the legal research and the resulting work and advice is all privileged and confidential (under both the attorney client and attorney work product doctrines), we are not at liberty to provide you with additional detail. If you would like more information on these or the below issues that likewise concern privileged matters, we recommend that you speak with Debtor's Senior Environmental Counsel, Lydia B. Duff, who can provide any additional detail that she may be at liberty to share and that may be necessary.

We accept Beveridge & Diamond's response and have no objection to these fees.

4. We noted the following time entry which appeared to include travel time:

01/24/12 P. Marks 7.40 \$3,472.08 Prepare for, travel to and conduct conference with consultant and Grace team at consultant's offices.

We asked Beveridge & Diamond how much time was devoted to non-working travel, and whether the required 50% discount¹ had been applied to this time. Beveridge & Diamond responded:

With regard to my time entry on January 24, 2012 ..., while I incidentally noted "travel" in my description, the time that I recorded was time working on the noted matter. I reviewed my emails saved from that date, and it shows that in addition to attending a lengthy meeting, I had engaged in detailed communications and worked on the matter extensively in the morning prior to my meeting, and after the meeting continued email communications and related work on the matter well into the evening. Consistent with my practice, it is my belief that the 7.4 hours noted reflects time that I performed work on the referenced matter.

We understand Beveridge & Diamond's response, but do not believe the professional's time records negate the possibility that at least a portion of the time spent that day was devoted to non-working travel. Moreover, we consider that, generally, contemporaneous records should be afforded greater weight than a reconstruction of past events, and more detailed records should be afforded greater weight than less detailed records (thus we give more weight to the detail provided in the original invoice than subsequent explanations). We believe that Beveridge & Diamond has not given us a good reason for deviating from these general principles. We asked Beveridge & Diamond for additional information as to the departure and destination addresses and were advised that the consultant's office at which the meeting took place is in the Washington, DC, metropolitan area. Without additional information, it is reasonable for us to assume that the professional spent at least one hour traveling to and from the meeting.² Thus, we recommend that one hour of the 7.4 hour

¹Pursuant to Local Rule 2016-2(d)(viii): "Travel time during which no work is performed shall be separately described and may be billed at no more than 50% of regular hourly rates."

²Beveridge & Diamond's offices are located in Baltimore.

time entry be reduced by one-half, for a reduction of \$234.60 in fees.

5. We noted that during February and March 2012, multiple professionals and paraprofessionals spent a total of 82.80 hours for \$33,792.06 in fees on various activities described only as “tasks.” See Exhibit B. We asked Beveridge & Diamond to explain the nature of this work and how it benefited the estate. Beveridge & Diamond responded:

... [T]hese activities included document-related research and evaluations performed at Debtor’s request and related to a significant potential liability. Having the assistance of appropriate paraprofessionals increased the efficiency of the tasks, by having each task performed at the appropriate level of skill and experience.

In light of Beveridge & Diamond’s confidentiality concerns (see paragraph 3), we accept this response and request no additional detail concerning these fees.

6. We noted that between March 13 and 15, 2012, attorneys M. Duvall (\$506.00) and K. Bourdeau (\$657.80) spent 8.50 hours for \$4,422.44 in fees on an unspecified research project.

03/13/12	Duvall	2.30	Conference with K. Bourdeau re background on project; research re same.
03/14/12	Duvall	2.80	Research re project.
03/15/12	Bourdeau	0.80	Conference with M. Duvall re results of research; conference with L. Duff and M. Duvall re same.
03/15/12	Duvall	2.60	Prepare for telephone conference with L. Duff; conference with K. Bourdeau re same; telephone conference with L. Duff and K. Bourdeau re results of issue evaluation and research.

We asked Beveridge & Diamond to explain the subject matter of this research and how it was utilized for the benefit of the debtor’s estate. Beveridge & Diamond responded:

With regard to the presence of both M. Duvall and K. Bourdeau on a research project related to a regulatory issue that it was important for the Debtor to resolve..., the participation of both attorneys was necessary because each attorney had different information and experience, and for efficiency. Most of the work was performed by M. Duvall, and K. Bourdeau assisted only in the application and interpretation of the

research results, in a manner that avoided duplication.

In light of Beveridge & Diamond's confidentiality concerns (see paragraph 3), we accept this response and request no additional detail concerning these fees.

7. We noted duplicating expenses of \$269.73 on the January 2012 monthly fee application, \$52.20 on the February 2012 monthly, and \$194.93 on the March 2012 monthly. We asked Beveridge & Diamond for the price at which these copies had been billed,³ and Beveridge & Diamond responded:

With regard to the noted duplicating expenses ..., there were 3,365 copies, billing at the allowed rate of 10 cents per page equals \$336.50. We modify our request of \$516.85 to \$336.50 (a reduction of \$180.35).

We appreciate Beveridge & Diamond's response and recommend a reduction of \$180.35 in expenses.

8. We noted the following travel expenses for which more information was needed:

February 2012:

Local Travel	\$30.17
Out-of-Town Travel	\$180.75 (Travel to team/client meetings)
Travel Expenses	\$47.00 (Travel to team/client meetings)

March 2012:

Local Travel	\$18.00
Out-of-town Travel	\$202.40 (Travel to team/client meetings)
Meals	\$390.41 (Meals at client/team meeting over several days)
Other	\$4,245.09 (Conference room rental; client/team meeting over several days)
Meals	\$321.47 (Meals at client/team meeting over several days)

We asked Beveridge & Diamond for an itemization of the foregoing expenses, and Beveridge & Diamond provided additional information (see Response Exhibit 1), as well as a copy of the itemized invoice for the \$4,245.09 conference room rental. (See Response Exhibit 2). We appreciate

³Pursuant to Del. Bankr. L.R. 2016-2(e)(iii), copying charges are limited to \$0.10 per page.

this information and accept Beveridge & Diamond's response with respect to all of the expenses, except for the February 7, 2012, meal charges at the conference held at the Westin Alexandria hotel. We note from Beveridge & Diamond's response that the food charges covered breakfast and lunch for 10 people over the course of the three-day meeting. The food charges for February 7, 2012, totaled \$1,120.91, which exceeds our recommended meal caps for Washington, DC, by \$370.91.⁴ Thus, we recommend a reduction of \$370.91 in expenses.

CONCLUSION

9. Thus, we recommend approval of \$328,204.64 in fees (\$328,439.24 minus \$234.60) and \$5,532.41 in expenses (\$6,083.67 minus \$551.26) for Beveridge & Diamond's services for the Application Period.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: _____

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FEE AUDITOR

⁴For Washington, DC, we recommend per person meal caps of \$30.00 for breakfast and \$45.00 for lunch which, for 10 people, computes to \$300.00 for breakfast and \$450.00 for lunch, for a total of \$750.00.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 13th day of August, 2012.



Warren H. Smith

SERVICE LIST

Notice Parties

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Counsel to the Official Committee of Property

EXHIBIT A

01/04/12	H. Knight	7.00	Research and prepare memorandum.
01/05/12	B. Reddy	1.80	Research and prepare memorandum.
01/05/12	H. Knight	7.30	Research and prepare memorandum.
01/06/12	B. Reddy	2.30	Research.
01/06/12	H. Knight	10.30	Research and prepare memorandum.
01/07/12	B. Reddy	12.00	Research.
01/07/12	H. Knight	8.20	Research and prepare memorandum.
01/08/12	B. Reddy	15.00	Research and prepare memorandum.
01/08/12	H. Knight	6.80	Research and prepare memorandum.
01/12/12	K. Bourdeau	0.60	Review and prepare comments on draft analysis.
01/12/12	P. Marks	1.60	Review and evaluate legal research.
01/15/12	B. Reddy	4.00	Research re memorandum.
01/16/12	B. Reddy	3.80	Prepare memorandum.
01/18/12	B. Reddy	2.00	Prepare memorandum.
01/18/12	H. Knight	9.50	Research and prepare memorandum.
01/19/12	B. Reddy	4.00	Prepare memorandum.
01/19/12	H. Knight	5.10	Research and prepare memorandum.
01/22/12	B. Reddy	1.20	Prepare memorandum.
01/22/12	H. Knight	2.80	Research and prepare memorandum.
01/23/12	P. Marks	1.30	Coordinate with Beveridge & Diamond team re research memorandum and highlighted cases; telephone conference with H. Feichko re status and strategy

01/23/12	B. Reddy	1.70	Prepare memorandum.
01/24/12	B. Reddy	7.70	Prepare memorandum.
01/24/12	H. Knight	4.90	Research and prepare memorandum and pull highlighted cases re same.
01/25/12	K. Bourdeau	1.50	Review and prepare edits to portion of memorandum; telephone conference with P. Marks re same.
01/30/12	K. Bourdeau	2.00	Review and edit memorandum; communications with P. Marks re same.
01/30/12	P. Marks	2.10	Memorandum preparation and evaluation with D. Paul re tasks and re document management.
01/31/12	K. Bourdeau	2.80	Work on memorandum and conference with L. Duff, H. Feichko, and P. Marks re same and government actions.
01/31/12	P. Marks	1.00	Memorandum preparation and telephone conference with K. Bourdeau and client re same.
01/06/12	E. Wolk	0.50	Research
01/07/12	K. Bourdeau	3.00	Work on memorandum re analysis
01/08/12	K. Bourdeau	3.80	Finalize and transmit memorandum re analysis; work on comments draft.
02/01/12	K. Bourdeau	0.80	Conference with P. Marks, B. Reddy, and H. Knight re memorandum; attend to e-mails from H. Feichko re same.
02/01/12	P. Marks	1.70	Evaluate and coordinate with K. Bourdeau, and provide direction to H. Knight and B. Reddy re legal memorandum and follow-up information evaluation re same.
02/01/12	B. Reddy	0.60	Conference with K. Bourdeau, P. Marks, and H. Knight re memorandum.
02/01/12	H. Knight	0.60	Telephone conference with P. Marks, K. Bourdeau, and B. Reddy re memorandum.
02/02/12	K. Bourdeau	2.80	Prepare memorandum; incorporate P. Marks revisions re same.
02/04/12	B. Reddy	4.00	Revise memorandum.

02/04/12	H. Knight	3.80	Prepare memorandum.
02/05/12	K. Bourdeau	0.50	Communications re revised analysis.
02/05/12	B. Reddy	4.00	Revise memorandum.
02/05/12	H. Knight	3.90	Prepare memorandum; telephone conference with B. Reddy re same; email correspondence with K. Bourdeau, P. Marks, and B. Reddy re same; review documents.
02/08/12	K. Bourdeau	2.00	Review and prepare comments re revised analysis; e-mail to internal team re same.
02/09/12	H. Knight	0.20	Email correspondence with K. Bourdeau, B. Reddy, and P. Marks re memorandum.
02/10/12	P. Marks	1.80	Manage document issues with M. Glantz; evaluate draft memorandum.
02/13/12	K. Bourdeau	0.80	Conference with P. Marks, B. Reddy, and H. Knight re memorandum; e-mail communications with H. Feichko re developments.
02/13/12	P. Marks	4.70	Prepare memorandum and telephone conference with team re same, and telephone conference with L. Duff and H. Feichko re negotiations.
02/13/12	B. Reddy	0.80	Prepare memorandum and telephone conference with team re same.
2/13/12	H. Knight	1.90	Prepare memorandum; conference call with K. Bourdeau, P. Marks, and B. Reddy re same.
02/14/12	K. Bourdeau	1.50	Prepare memorandum.
02/14/12	H. Knight	2.20	Prepare memorandum.
02/15/12	K. Bourdeau	0.50	Review final revisions to memorandum; internal communications re same.
02/15/12	P. Marks	5.60	Prepare legal memorandum; evaluate document issues and telephone conference with M. Glantz re same; coordinate with H. Knight re same; coordinate with H. Feichko re same.
02/15/12	B. Reddy	3.00	Conference with K. Bourdeau re memorandum; continue to

revise memorandum.

02/16/12	K. Bourdeau	0.50	Communications re memorandum issues.
02/16/12	P. Marks	2.80	Telephone conference with client re preliminary document tasks; telephone conference with B. Reddy re memorandum and review same; telephone conference with M. Pickel to direct her document tasks.
02/16/12	B. Reddy	3.30	Continue to revise memorandum; e-mail communications with K. Bourdeau re same; telephone conference with P. Marks re same.
02/17/12	K. Bourdeau	2.50	Further work on memorandum; internal communications re same.
02/17/12	P. Marks	2.20	Prepare memorandum and conference with H. Knight re same.
02/17/12	B. Reddy	2.10	Continue to revise memorandum.
02/17/12	H. Knight	2.90	Prepare memorandum; conference with P. Marks re same.
03/08/12	Knight	3.10	Client project; conference with P. Marks re same.
03/09/12	Knight	2.10	Client project.
03/12/12	Marks	1.90	Client project.
03/12/12	Knight	6.20	Client project; review documents; conferences with P. Marks re same.
03/13/12	Knight	6.90	Client project; review documents.
03/14/12	Knight	4.50	Review documents; conference with P. Marks re same.
03/15/12	Knight	3.60	Review documents; prepare memorandum.
03/16/12	Knight	4.20	Review documents; prepare memorandum.
03/19/12	Knight	3.10	Review documents; prepare memorandum; conference and email correspondence with P. Marks re same.
03/23/12	Marks	2.80	Prepare updated memorandum.

03/30/12	Knight	4.60	Prepare memorandum; coordinate with P. Marks re same.
03/31/12	Knight	1.30	Prepare memorandum.
03/07/12	Reddy	1.20	Legal research

EXHIBIT B

02/13/12	Glantz	1.80	Document tasks.
02/16/12	Glantz	1.00	Document tasks.
02/16/12	Pickel	2.50	Document tasks.
02/17/12	Pickel	3.80	Document tasks.
02/21/12	Pickel	1.00	Document tasks.
02/01/12	Bourdeau	5.00	Tasks re project.
02/02/12	Bourdeau	4.80	Tasks re project.
02/03/12	Paul	0.40	Tasks to support project.
02/03/12	Wolk	2.50	Monitoring and support tasks.
02/05/12	Paul	0.70	Project support tasks.
02/06/12	Paul	0.20	Project support tasks.
02/10/12	Wolk	2.00	Monitoring and support tasks.
02/17/12	Wolk	1.00	Monitoring and support tasks.
02/23/12	Paul	0.40	Support tasks.
02/24/12	Wolk	1.50	Monitoring and support tasks.
02/28/12	Paul	0.20	Support tasks.
02/29/12	Wolk	0.50	Monitoring and support tasks.
03/02/12	Wolk	1.50	Monitoring and support tasks.
03/09/12	Wolk	1.00	Monitoring and support tasks.
03/13/12	Bourdeau	0.80	Project tasks.
03/14/12	Marks	2.60	Conduct project tasks.
03/15/12	Bourdeau	1.80	Project tasks.
03/16/12	Wolk	0.50	Monitoring and support tasks.
03/20/12	Marks	3.30	Project tasks.
03/21/12	Marks	6.20	Project tasks.
03/22/12	Marks	4.60	Strategy telephone conference with L. Duff and team telephone conference re project and associated tasks, and preform project tasks.
03/23/12	Bourdeau	1.30	Project tasks.
03/23/12	Wolk	0.50	Monitoring and support tasks.
03/26/12	Bourdeau	1.50	Project tasks.
03/26/12	Marks	2.90	Project tasks.
03/27/12	Bourdeau	0.80	Project tasks.
03/27/12	Marks	4.20	Project tasks and communications with client team re same.
03/28/12	Bourdeau	1.50	Project tasks.
03/28/12	Marks	3.20	Project tasks and communications with client team re same.
03/29/12	Marks	5.40	Project tasks and coordinate with team, conduct team conference call and follow-up tasks.
03/30/12	Marks	1.90	Project tasks.
03/01/12	Jaworski	4.00	Discuss tasks with P. Marks and client in-house counsel;

03/02/12	Jaworski	4.00	perform tasks re same. Project tasks; inform P. Marks.
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RESPONSE EXHIBIT 1

February 2012 Local Travel in the amount of \$30.17: This included travel to and from two locations in the Washington D.C. metropolitan area including Maryland and Alexandria, Virginia, for one person by taxi on February 7, 2012.

February 2012 Out-of-Town Travel in the amount of \$180.75: This included January 10, 2012 travel for two people to and from two locations in the Washington D.C. metropolitan area including Maryland and Alexandria, Virginia, using regional Amtrak (coach fare) and parking; parking fees for one person to attend meetings on January 24, 2012; and mileage reimbursement for travel to and from client meetings on February 8, 2012.

February 2012 Travel Expenses in the amount of \$47.00: This included travel to and from two locations in the Washington D.C. metropolitan area including Maryland and Alexandria, Virginia, for one person by taxi on January 24, 2012 to attend client meeting.

March 2012 Local Travel expenses in the amount of \$18.00: This included travel to and from two locations in the Washington D.C. metropolitan area including Maryland and Alexandria, Virginia, for one person by taxi on February 23, 2012 to attend client meeting.

March 2012 Out-of-Town Travel expenses in the amount of \$202.40: This included travel to and from two locations in the Washington D.C. metropolitan area including Maryland and Alexandria, Virginia, (1) using regional Amtrak (coach fare) and parking for one person to attend meetings on February 3, 2012; (2) taxi for one on February 6 to attend client meeting; (3) taxi for one on February 7 to attend client meeting; (4) taxi for one on February 8 to attend client meeting; and (5) parking for one person to attend meetings on February 6-8.

March 2012 Meals in the amounts of \$390.41 and \$321.47 included breakfast and lunch on January 10, 2012 for 9 people during client / team meetings; and breakfast and lunch on February 3, 2012 for 10 people during client / team meetings.

March 2012 Other in the amount of \$4,245.09 included the charges incurred for client / team meetings spanning February 6-8, 2012 at the Westin Alexandria including conference room rental, audio/visual equipment services, breakfast and lunch for 10 people, and miscellaneous photocopies. An itemized breakdown from the Westin Alexandria is attached.